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## **China - Peoples Republic of**

## **Oilseeds and Products Update**

## **July Lockup Report**

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**Report Highlights:**

Post's July forecast MY14/15 total oilseed production is forecast at 56.8 million tons, down by 3.3 percent, primarily due to lower cottonseed production, from an estimated 58.7 million tons in MY13/14. Despite a short drop in oilseed product consumption in MY13/14, total oilseed demand is expected to continue an upward trend, particularly for soybeans, with total imports estimated at 68 million tons in MY13/14 and 72 million tons in MY14/15.

**Post:**  
Beijing

### **Executive Summary:**

Post's July forecast MY14/15 total oilseed production is forecast at 56.8 million tons, down by 3.3 percent, primarily due to lower cottonseed production, from an estimated 58.7 million tons in MY13/14. Despite a short drop in oilseed product consumption in MY13/14, total oilseed demand is expected to continue an upward trend, particularly for soybeans, with total imports estimated at 68 million tons in MY13/14 and 72 million tons in MY14/15.

### **MY14/15 domestic oilseed production slightly down**

Post July forecasts MY14/15 total domestic oilseed production at 56.8 million tons, down 3.3 percent from the previous year, due to lower cottonseed production.

Soybean production is estimated at 12 million tons based on a planted area of 6.75MHa, a 1.6 percent drop from the estimated production in the previous year. As of later July, soybean growth in the four Northeast provinces was rated as "Good" due to adequate moisture and sunshine.

Rapeseed production is forecast at 14.1 million tons, unchanged from Post's June forecast. According to State Grain Administration, as of July 15, total purchase rapeseed for state reserve in stood at 2.37 million tons, down by 1.86 million tons compared to the same time in the previous year. China National Grain and Oils Information Center (CNGOIC) estimated a significant fall of rapeseed purchase for state reserve this year as the farmers' selling of rapeseed peak close to end. Industry analysts believe that the government's more strict purchase policy reduced the volume for state reserve. It also indicates a smaller production than the official estimate. The strong imports of rapeseed in the first months of MY13/14 also support a smaller domestic production. However, on July 16, China's National Statistics Bureau (NSB) estimated that the 2014 summer rapeseed production hit record at 13.76 million tons, up 2.5 percent over the previous year. Based on this CNGOIC estimated MY14/15 total domestic rapeseed production is likely to exceed 14.5 million tons.

Peanut production is forecast at 17 million tons. Cotton seed production is 11.3 million tons, down 1.48 million tons from 12.78 million tons in the previous year, due to lower expectations for cotton planted area (see more in GAIN CH14031). CNGOIC estimated for MY14/15 peanut production at 16.5 million tons in its July report, mainly based on a slightly down in planted area.

### **Protein meal consumption is recovering**

According to China Feed Industry Association, total feed production was 83 million tons, down 3 percent over the same time in 2013. Out of the total, poultry and aquatic feed production seen significant fall with broiler feed down by 7 percent, layers feed down 8 percent and aquatic feed down 10 percent. A May statistics by 180 large feed mills indicate feed production in May increased by 7.3 percent over April, but still 2 percent lower than May of 2013. In its June report, CNGOIC forecast total feed production will reach 193 million tons in 2014 from the 191 million tons in 2013. CNGOIC

also forecast MY14/15 protein meal consumption at 71.35 million tons, up 1.95 million tons from the estimated 69.4 million tons in MY13/14. MY14/15 soybean meal consumption is forecast at 53 million tons, up 2 million tons from the previous year.

China's Ministry of Agriculture (MOA) survey shows national average live hog price in the third week of July was RMB13.41/Kg, up 3.7 percent over the previous week, but 7.3 percent lower than the same time in 2013. The national average pork price was 21.9/Kg, up 1.6 percent over the previous week, but 6 percent lower than the same time in 2013. Industry data show the price ratio between pork and grain in mid-July stood at 5.52 to 1, up 4.3 percent over the previous month, indicating a recovery of swine farming profit. China JCI's report indicated swine farming profit ranged from RMB50/head in Guangdong, Hunan and Heilongjiang to RMB150/head in Hubei, Shandong and Henan Provinces in the 4<sup>th</sup> week of July.

Additionally, industry sources estimated the strong typhoon in the third week of July resulted in losses of more than 20 million poultry and 40,000 pigs in Guangdong, Guangxi and Hainan Provinces. The government expects the price for animal products to increase in the upcoming festivals (mid-autumn and national day vacation).

Currently, feed production and consumption maintains a weak recovery, but this is expected to improve in the second half of 2014.

### **Selling of soybean reserve met food demand**

The government's sale of soybean reserve continued with a declining volume by traders. As of July 22, the government offered more than 3.8 million tons soybean reserve at open-auctions since mid-May as shown in the following table. The purchased volume (and percentage out of total offered) declined since June as the food use demand is met by the recent sales, while crushing margins for these soybeans continue to be negative. Government held soybean stocks exceeded 5 million tons with rapeseed oil stocks at about 5.5 million tons, according to industry sources.

	May 13 to July 15 (10 times)	July 22	Total
Volume offered	3,459,000	354,470	3,813,470
Volume sold	1,591,000	54,945	1,645,945
% sold	55.4	15.5	43.2
Average price RMB/ton		RMB4,010-4,420/ton	

Note: current exchange rate RMB6.2 = \$1

### **Trade**

#### **-MY13/14 soybean imports is likely to reach 68 million tons**

Based on Global Trade Atlas (GTA), total soybean imports for the first three quarters of MY13/14 hit 51.83 million tons, up 24.6 percent over the same period of MY12/13. Imports in July through September are estimated to exceed 16 million tons, making total MY13/14 imports likely to reach 68

million tons. CNGOIC's July report forecasts MY14/15 soybean imports at 69 million tons from 68 million tons in MY13/14 (adjusted up by 1 million tons from June report).

#### **-Rapeseed imports surge**

Along with the implementation of the government's plan to purchase 5 million tons of MY14/15 rapeseed at floor price at RMB5,100/ton, rapeseed imports remain dynamic in the first nine months of MY13/14 with total volume at 3.84 million tons, up 43.7 percent over the previous year. Imports in May hit a record 651,000 tons while this dropped to 385,000 ton in June. In July report, CNGOIC estimated MY13/14 rapeseed imports at 4.35 million tons and will up to 4.5 million tons in MY14/15. High imports reflect lower domestic production and favorable world price. Import price (including duty) is expected at RMB3,450/ton, significantly lower than the domestic price.

The high rapeseed imports also indicate Chinese traders' preference of oilseed imports to meet the demand by the larger crushing capacity, thus impacting rapeseed oil imports which stand at 748,000 tons in the first nine months of MY13/14, down 35 percent over the previous year.

#### **-Soybean meal exports doubled in first half of 2014**

The GTA data show China soybean meal exports reached 1.4 million tons in the first half of 2014, double of the volume in the previous year. The recover in soybean meal exports, though small compare to the total supply, reflects domestic protein meal supply growth exceeded consumption. CNGOIC estimated total soybean meal exports at 2 million tons in MY13/14 from the 1.3 million tons in the previous year. Soybean meal exports will continue in small volume in the future as the large soybean crushing sector tends to crush more soybeans than domestic market demands.

Note: Exchange rate: \$1=RMB6.2